

Business Subsidy Policy and Criteria

City of Thief River Falls

1. PURPOSE

This policy's purpose is to establish the City's position relating to the use of JOBZ and the current business assistance programs the City administers (Community Revolving Loan Fund and the Storefront Renovation Program). The City will use this guide in processing and reviewing applications requesting business assistance.

The City may amend or waive any part of this policy as allowed under Minnesota Law.

2. STATUTORY LIMITATIONS

This policy is adopted in compliance with M.S. 116J.994 Subd.2 and M.S. 469.310-469.320. A copy of the policy shall be submitted to the Department of Employment and Economic Development. All business assistance requests must comply with applicable Minnesota law.

3. DEFINITIONS

"Authorized Business Subsidy Signatory" means the Mayor and the City Administrator who are authorized by this Policy to execute business subsidy agreements on behalf of the City;

"JOBZ Business Subsidy" means tax exemptions or tax credits available to a qualified business located in a job zone under the Job Opportunity Building Zone (JOBZ) statute M.S. 469.310-469.320;

"Business Subsidy" means a state or local government agency grant, contribution of personal property, real property, infrastructure, the principal amount of a loan at rates below those commercially available to the recipient, any reduction or deferral of any tax or any fee, any guarantee of any payment under any loan, lease, or other obligation, or any preferential use of government facilities given to a business, as defined by the Business Subsidy statute M.S. 116J.993-116J.995. Local examples include business assistance from the Community Revolving Loan Fund and from the Storefront Renovation Loan Fund.

“Business Subsidy Report” means the annual report submitted by the City required to comply with M.S. 116J.994 Subd. 7.(b) through 116J.994 Subd. 8;

“Criteria” means the equitably applied, uniform standards by which the City bases its decision to award any business subsidy to a private business or development project establishing a business and creating living wage jobs;

“DEED” means Minnesota Department of Employment and Economic Development;

“Benefits” means non-mandatory benefits such as paid time off, health insurance, dental insurance, childcare benefits, cafeteria plan benefit packages, and or life insurance. For purposes of this definition, ‘Benefits’ does not include workman’s compensation, unemployment compensation and social security benefits;

“Living Wage Job” shall mean a job which pays the accepted standards within the City of Thief River Falls. Taking into consideration the rate of 110% of the current poverty level for a family of four within Pennington County as determined by Department of Housing and Urban Development;

“Local Government Unit” hereinafter means the City of Thief River Falls;

“JOBZ Qualified Business” means a person that carries on a trade or business at a place of business located within a Job Opportunity Building Zone as referenced in M.S. 469.310 Subd. 11; and complies with the reporting requirements specified by M.S. 469.313 Subd. 2.(5); and shall comply with the criteria in Section 4 of this Business Subsidy Policy; and shall also mean “Recipient” as defined by Business Subsidy Law. A qualified business shall not include a retail business, a low-wage service business, or a business that pays less than the “Living Wage Job” defined in this agreement;

“Community Development Revolving Loan Fund Qualified Business” means a business that is in manufacturing, the service industry or distribution industry. Recipients shall not be in commercial retail. Recipients may also be involved in housing should a qualified program be available.

“Storefront Renovation Loan Fund Qualified Business” means a commercial property owner within the City Limits that is operating with a permitted or conditional use within its zoning district.

“Recipient” means any business entity that receives a business subsidy as defined by M.S. 116J.993 and that has a Business Subsidy Agreement with the City;

“Relocating Business” a business relocating from another Minnesota non-JOBZ location;

“Relocation Agreement” means a binding written agreement between a relocating JOBZ qualified business and the commissioner of DEED pledging that the qualified business will either: (a) increase full-time or full-time equivalent employment in the first full year of operation within the JOBZ by at least 20 percent, or (b) make a capital investment in the property equivalent to 10 percent of the gross revenues of operation that was relocated in the immediately preceding taxable year; and provide for repayment of all tax benefits if the requirements of (a) or (b) are not met;

“Subzone” means that parcel or parcels of land designated by the Commissioner of Employment and Economic Development within a JOBZ Zone within the boundaries of the City to receive certain tax credits and exemptions specified under M.S. 469.310-469.320;

“Subzone Administrator” means the person or entity authorized by the City to act as its Subzone Administrator.

4. ELIGIBLE BUSINESS ASSISTANCE USES

The City will consider using business assistance tools to assist private development only in those circumstances in which the following public purposes are met by the project:

- A. Enhance economic growth in this area;
- B. Create high quality job growth in this area;
- C. Retain high quality jobs in this area where job loss is specified and demonstrable;
- D. Stabilize the community;
- E. Encourage entrepreneurial commercial/industrial endeavors; and
- F To accelerate the development process and achieve development on sites which would not be developed without assistance.

A qualified business shall not compete with or displace local businesses currently operating within the jurisdiction of the City of Thief River Falls M.S. 116J.994 Subd. 3.(6). Locally the jurisdiction is considered to be a radius of two miles of the existing city boundary.

5. BUSINESS ASSISTANCE PROJECT APPROVAL CRITERIA

All new projects must meet all of the following mandatory minimum criteria understanding that meeting these criteria will not guarantee approval of a subsidy. See Section 6.04 for Review Criteria.

- A. The assistance must be provided within applicable state legislative restrictions, State Auditor interpretations, debt limit guidelines, and other appropriate financial and legal requirements and policies.
- B. The project must meet at least one of the uses in Section 4.
- C. The project must be in accord with the City's Comprehensive Plan and Zoning Ordinances.
- D. The applicant must demonstrate that the project would not be created on the same scale and/or quality without Subsidy Assistance. The applicant should attempt to maximize the amount of private investment in the project.
- E. The applicant must provide any required market and financial feasibility studies, appraisals, soil borings or other information provided to private lenders for the project, and any other information or data that the City, or their financial consultants may require to independently review the project.
- F. An applicant requesting business assistance must demonstrate historic capabilities or resources that relate to the proposed development or provide justification how their existing skills match their new endeavor.
- G. The applicant must retain ownership of the project a minimum of two years from the date of the Business Subsidy Agreement. If not any business assistance provided is paid in full prior to the sale.
- H. The applicant must demonstrate evidence of the required equity and other project financing sources. The applicant should reduce its level of needed business assistance funding to the lowest possible level and least amount of time by attempting to maximize the use of private debt and equity financing first.
- I. The project must be located within the accepted jurisdiction of the City or, in the case of a JOBZ development, within a designated JOBZ.
- J. The applicant must use the Business Subsidy for the purchase of land, buildings or building improvements or equipment and/or working capital. Business Subsidies shall not be used to pay wages without prior agreement by the City.
- K. The applicant must demonstrate a clear and ongoing commitment to the community by providing "Living Wage Jobs" to their

- employees as established by the City and in accord with the HUD 110% poverty level for a family of four, not including benefits.
- L. The applicant must demonstrate the ability to repay the business assistance if the goals set forth in the Business Subsidy Agreement are not met.
 - M. The applicant agrees to comply with the Annual Business Subsidy Reporting Requirements set forth in M.S. 116J.993-116J.995 and/or Job Opportunity Building Zone statute M.S. 469.310-469.320.

6. BUSINESS ASSISTANCE PROJECT REVIEW CRITERIA

The City will review all projects on the following criteria understanding that changes in local markets, construction costs, and interest rates may cause changes in the amounts of assistance requests. Whenever possible uniform standards will apply and where possible comparisons will be made to similar projects.

While some criteria, by their very nature, must remain subjective, the City has established “benchmark” criteria for review purposes. Meeting “benchmark” criteria does not mean that the proposal is entitled to funding, rather it means that the City is in a position to proceed with a review of the proposal.

The City will use the following review criteria:

- A. All proposals should optimize a site’s private development potential.
- B. All proposals should create the highest feasible number of jobs given the project’s nature and other goals.
- C. All proposals must meet all applicable business assistance criteria established by the City.
- D. Proposals should not be used to support speculative industrial, commercial or office projects.
- E. The City will not provide business assistance to a project that involves higher than accepted market value prices, unless there is sufficient justification; such as access or location factors.
- F. The City will not provide business assistance for projects that will generate significant environmental or social problems in the opinion of the local, state or federal governments.

7. APPLICATION PROCESS AND FEES

All applicants for business assistance must fill out and submit a Business Subsidy Application.

All applications must include an application fee as established by the City. The City, or its assigned financial consultant, may seek reimbursement for an amount negotiated in the Business Subsidy Agreement for any additional costs and expenses incurred in processing the application and completing the Agreement.

8. BUSINESS ASSISTANCE AWARD

The City will hold a public hearing before granting or denying the business subsidy as it pertains to the JOBZ Program. No public hearing is required for neither Community Revolving Loan Fund requests nor the Storefront Renovation Program. Regarding the Public Hearing, the City will publish notice of the public hearing at least ten days before the hearing.

If the City decides to award any business assistance to the applicant, the applicant and the City must enter into a Business Subsidy Agreement containing at least the following elements:

- A. A description of the business assistance, including the amount and type of assistance, and the type of district if tax increment is provided.
- B. A statement of the business assistance's use and public purpose.
- C. Measurable, specific and tangible goals for the business assistance.
- D. A description of the recipient's financial obligations if the goals are not met.
- E. A statement of why the subsidy is needed.
- F. The recipient's commitment to continue operations in the City for at least five years from acceptance of the Business Subsidy Agreement.
- G. The name and address of the recipient's parent corporation, if any.
- H. A detailed list of all financial assistance by all grantors for the project.
- I. Goals for the number of jobs created or retained, and wage goals for the jobs created or retained if any, and wage goals for any jobs to be enhanced through increased wages, to be attained within two years of the benefit date.

9. ADDITIONAL JOBZ BUSINESS SUBSIDY REQUIREMENTS

Any time the City provides a business subsidy to a Qualified Business or recipient, that business is subject to the wage goals, job goals and other criteria set forth in this policy. In the event of a conflict between the requirements of the Business Subsidy statute M.S. 116J.993 –116J.995 and the JOBZ statute M.S. 469.310–469.320, the JOBZ statute shall control.

The City may deviate from wage and job criteria in this Section by documenting the reason in writing for the deviation and attaching a copy

of the reason to the next annual Business Subsidy report submitted to DEED.

The City shall require all businesses receiving a business subsidy to comply with the following:

1. Attend a properly noticed public hearing held by the City as provided by M.S. 116J.994. The purpose of the hearing shall be to identify the criteria that the qualified business or recipient will meet in order to be eligible to receive a business subsidy or become a qualified business for purposes of the JOBZ statute.
2. If the business is qualified to receive JOBZ tax benefits, the business shall agree to continue to operate in the jurisdiction where the subsidy is used (the subzone) for the duration of the job zone term.
3. If the business does not meet the goals specified in the agreement or if the business ceased to operate in the JOBZ Zone or it is no longer a qualified business then the business must repay the benefits received as per the repayment obligation outlined in M.S. 469.319.
4. If the qualified business or recipient is a relocating business under the definition in this agreement, the business shall be required to enter into a binding agreement written "Relocation Agreement" between the qualified business and the Commissioner of DEED pledging that the qualified relocation business will either:
 - (a) increase full-time or full-time equivalent employment in the first full year of operation within the job opportunity building zone by at least 20 percent, or
 - (b) make a capital investment on the property to 10 percent of the gross revenues of operation that was relocated in the immediately preceding taxable year, and provides for repayment of all tax benefits if the requirements of (a) or (b) are not met.

The business shall identify an operation start date when business operations for the proposed qualified businesses are planned to begin in the Zone. The date when business operations begin is call the "operation start date."